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School Impact Fees

August, 2011

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BACKGROUND

An Inter-local Agreement between Orange County, Florida, and The School Board of Orange County dated December 15, 1992 states: "Impact Fees established by the County Ordinance have been imposed throughout Orange County, including both the unincorporated area and within the boundaries of all municipalities. The following information shall be provided for residential construction permits for which impact fees were assessed: a) date paid; b) location of the property; c) name and address of the applicant; d) type of structure; e) amount of impact fee paid."

Orange County Ordinance 2007-12, Section 23-141 (a) states: "Except to the extent exempted by general or special law, all residential construction occurring within the county, both within the unincorporated area and within the municipal boundaries of the cities, for which a building permit is issued subsequent to the effective date of this article, shall pay the school impact fee."

Section 23-142 (a) states: "Except as otherwise provided in this article, prior to the issuance of a building permit for multi-family residential construction an applicant shall pay the school impact fee as set forth in section 23-141. However, for single-family homes or duplexes, the applicant may elect to pay the applicable fee no later than immediately prior to the issuance of the certificate of occupancy."

Section 23-142 (b) states in part: "Any school impact fee collected by the county or by a city shall be transferred at least quarterly to the school board for deposit in the school impact fee trust account."

Section 23-142 (e) states: "The impact from the development shall be calculated at the time of issuance of the building permit. If the applicant for a single family or duplex home elects to pay the applicable impact fee after the issuance of the building permit, but no later than prior to the issuance of the certificate of occupancy, the impact fee due shall be calculated to be the fee due on the day of issuance of the building permit."

The school impact fees in effect during the last three years are as follows:

<u>Effective Date</u>	<u>Jan. 28, 2008</u>	<u>Jan. 28, 2009</u>	<u>Jan. 28, 2010</u>
Single-Family	\$11,829	\$12,420	\$13,041
Multi-Family	\$6,647	\$6,979	\$7,328
Mobile Home	\$6,344	\$6,661	\$6,994

Impact fee payments to Orange County Public Schools from Orange County and the various municipalities for the last three fiscal years were:

FY 2007/2008 = \$37,559,675

FY 2008/2009 = \$19,066,858

FY 2009/2010 = \$21,482,085

OBJECTIVE

Our audit objective was to determine whether School Impact Fees were collected and remitted accurately and timely to the School Board of Orange County.

SCOPE AND METHODOLOGY

Our audit period initially covered school impact fee activity that occurred from July 1, 2009, through September 30, 2010. However, we expanded our audit period to include activity from 2006 through 2010 when we noted exceptions in the amount of school impact fees collected by certain entities. We reviewed source documentation obtained from Orange County and from the various municipalities.

AUDIT FINDINGS

Based upon our review of building permits and other documentation, we determined that a total of **\$990,683.92** in impact fees was owed to Orange County Public Schools. This amount results from findings at a number of the local governments as discussed below.

City of Apopka

- Total underpayment to the District net of the collection allowance was **\$194,343.38**. The cause of this finding was that the correct impact fee was not always accurately assessed when the rate changed each year.

City of Belle Isle

- Total underpayment to the District net of the collection allowance was **\$1,204.74**. The cause of this finding was that the correct impact fee was not always accurately assessed when the rate changed each year. We selected our sample for this City from the Orange County Building Permit website because the City did not respond to our request for information. It should be noted that Orange County collects the impact fees and issues the permits for the City.

City of Edgewood

- Total underpayment to the District net of the collection allowance was **\$558,108.72**. The causes of this finding were that the correct impact fee was not always accurately assessed when the rate changed each year, not all impact fees collected were remitted to the District, and the City retained a 10% collection allowance instead of 3% as specified in the ordinance. We also noted that the City remitted impact fees annually instead of at least quarterly as required by the ordinance. The City remitted \$558,108.72 to the District on August 24, 2011.

City of Maitland

- Total underpayment to the District net of the collection allowance was **\$85,297.92**. The causes of this finding were that the correct impact fee was not always accurately

assessed when the rate changed and impact fees were not collected for 12 permits issued in February and September, 2010. After we brought this to the City's attention, \$27,078.52 & \$14,216.32 were remitted to the District in March, 2011 & August, 2011 respectively. The balance of \$44,003.08 is still pending collection from the builder.

Town of Oakland

- Total underpayment to the District net of the collection allowance was **\$12,649.77**. The cause of this finding was that the Town had not remitted impact fees at least quarterly. We noted that an impact fee collection in April, 2010 was not remitted to the District until February, 2011 after our email notification about the school impact fee audit. We also noted that the Town does not retain the 3% administrative fee.

City of Ocoee

- Total underpayment to the District net of the collection allowance was **\$77,421.12**. The cause of this finding was that the correct impact fee was not always accurately assessed when the rate changed each year. City staff indicated that they assess the rate based on the permit application date instead of the permit issue date as required by the ordinance.

Orange County

- Total underpayment to the District net of the collection allowance was **\$25,980.48**. The cause of this finding was that the correct impact fee was not always accurately assessed when the rate changed each year.

City of Orlando

- Total underpayment to the District net of the collection allowance was **\$25,112.33**. The cause of this finding was that the correct impact fee was not always accurately assessed when the rate changed each year.

Town of Windermere

- Total underpayment to the District net of the collection allowance was **\$1,807.11**. The cause of this finding was that the correct impact fee was not always accurately assessed when the rate changed each year. It should be noted that Orange County collected the impact fees and issued the permits for the Town during the period.

City of Winter Garden

- Total underpayment to the District net of the collection allowance was **\$6,509.67**. The cause of this finding was that the correct impact fee was not always accurately assessed when the rate changed each year.

City of Winter Park

- Total underpayment to the District net of the collection allowance was **\$2,248.68**. The causes of this finding were that the correct impact fee was not always accurately assessed when the rate changed and the City retained a 3% collection allowance

instead of \$102 per transaction as was agreed upon between the District and the City in 2009. We also noted that the City did not always remit the impact fees at least quarterly as required by the ordinance. The City remitted \$2,035.41 in May, 2011 and \$213.27 in June, 2011 to the District.

Details of these findings have been communicated to each of the respective entities.

RECOMMENDATIONS

We recommend that the Finance Department collect the remaining amounts owed to the District by the various units of local government identified above in a timely manner.

Most of these findings could have been detected during a desk review of payments received and accompanying documentation as called for in the ordinance. We recommend that the Planning and Governmental Relations and Finance Departments monitor impact fee remittances to ensure collections are accurate, timely and in compliance with the Inter-local Agreement and Ordinance. Special attention should be paid near the date of impact fee rate changes. The local governments should be instructed to provide the supporting documentation called for in the ordinance with their remittances so that a quality desk review can be performed.

We wish to thank the staff of Planning and Governmental Relations and Finance for their cooperation and assistance during the audit. We also wish to acknowledge the cooperation and assistance of Orange County and the various municipalities.

Vince Roberts, CIA, Auditor

AUDIT RESPONSE MATRIX

FISCAL PERIOD: _____

DEPARTMENT/SCHOOL:
 ADMINISTRATOR/PRINCIPAL:
 DEPARTMENT HEAD/AREA SUPERINTENDENT:

Finance, Department of Planning and Governmental Relations
Andrew DeCandis, Senior Director
Richard Collins, Chief Financial Officer.

Exception Noted	Management Response	Responsible Person	Outcome Timeline
What is? What should be?	What needs to be done?	Who needs to do it?	When will the action be completed? What is the evidence of completion?
<p>The audit was conducted to determine if the amounts of impact fees being sent to OCPS by the cities and county are consistent with the provisions of the Impact Fee Ordinance in effect at the time of collection.</p> <p>Two Issues were found:</p> <ol style="list-style-type: none"> The fee charged was not always consistent with the provision of the ordinance. This occurred for a variety of reasons all related to city/county front line staff not being adequately trained or knowledgeable of the provisions of the ordinance. 	<ol style="list-style-type: none"> Training and communications with the cities in addition to the annual letter from the P&GR Director needs to be put in place to insure the line staff at the cities and county (to the best of OCPS' ability) are trained and understand the provisions of the impact fee. 	<ol style="list-style-type: none"> P&GR Director will develop a sample operating policy detailing the collection provisions as outlined in the impact fee ordinance and provide it to the cities with a recommendation that they adopt the policy as appropriately modified to meet their local administrative structure. 	<ol style="list-style-type: none"> This will be completed by October 31, 2011 and transmitted to the cities and county. Additionally at the next Interlocal Planners meeting the topic will be addressed and the results of the audit presented to the representatives of the cities and county.

<p>2. Cities did not always remit collections on a timely basis and remittances were not tracked and audited by OCPS fiscal staff when they were received.</p>	<p>2. Two OCPS staff people in the Fiscal Office receive and record impact fee funds received from the cities and county. One collects funds electronically transferred and the other deposits checks. The documentation from the cities/county comes in various forms and is not always consistent with the reporting requirements in the ordinance.</p>	<p>2. Effective immediately staff will be directed to transmit documentation of the receipt of funds to the Administrative Assistant in P&GR who will track receipt of funds by City/County and document that the proper data is provided. The data will be entered into a database and receipts from each City/County will be tracked. Each quarter a desk audit will be performed by staff and inappropriate findings will be transmitted to the CFO, Senior Director and municipalities that have not reported appropriately.</p>	<p>2. This new system of tracking will be put in place by October 31, 2011. In addition PG&R staff will follow-up on the audit findings to insure that all funds due OCPS as identified in the audit are collected. Funds from the City of Edgewood, the largest amount due have already been collected.</p>
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